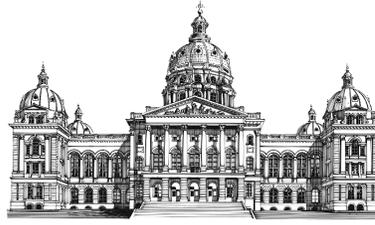


Iowa Legislative Fiscal Bureau

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State Capitol
Des Moines, IA 50319
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Professional Licensing

ISSUE

The Departments of Agriculture, Commerce, Education, and Public Health regulate individuals who pay a fee to be licensed as a professional in Iowa. This *Review* compares the fees paid by professionals and the funds appropriated to regulate each profession.

AFFECTED AGENCIES

Department of Agriculture
Department of Commerce
Department of Education
Department of Public Health

CODE AUTHORITY

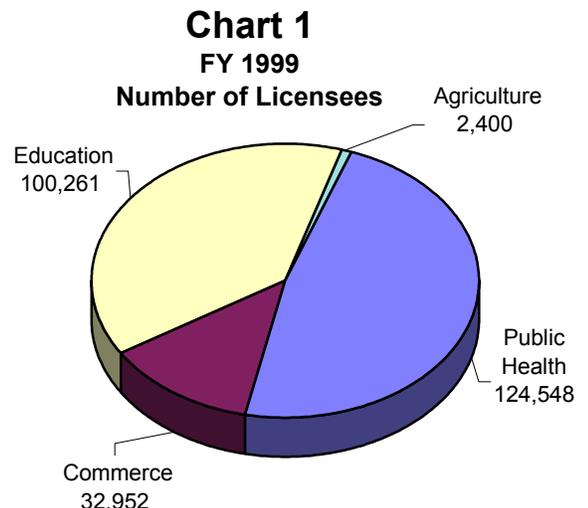
Sections 8.6, 153.11A, 169, 272.2, and 546.10, Code of Iowa

BACKGROUND

Licensing is a “process by which a government agency grants individuals permission to engage in a specified profession or occupation upon finding that individual applicants have attained the minimal degree of competency required to ensure that the public’s health, safety and welfare will be reasonably well protected.”¹

The Departments of Agriculture, Commerce, Education, and Public Health license a total of 260,000 individuals annually in 38 professions.

Chart 1 shows the total number of licensed professionals, by department. The chart data, and other totals in this *Review*, do not include statistics related to professionals licensed by the Insurance Division of the Department of Commerce. Unlike other professions considered in this *Review*, a regulatory board does not govern insurance and investment professionals. Instead, the Insurance Commissioner directly regulates these professionals. In addition, the insurance and investment



¹ “Questions a Legislator Should Ask,” The Council on Licensure, Enforcement, and Regulation, 1994

professionals are large enough in number to skew the calculations in the *Review*. The data has been collected for those industries and is available from the Legislative Fiscal Bureau.

All professionals licensed by the State of Iowa pay a fee. A portion of this fee revenue is appropriated to the associated licensing entity to pay for the costs of regulation and administration.

Prior to 1991, the Professional Licensing Division of the Department of Commerce maintained a trust fund. Fees were deposited into the fund and moneys were used as needed to pay the Division's expenses of regulation. The 1991 General Assembly authorized the transfer of the ending balance of this fund (and 26 others) into the General Fund along with the deposit of FY 1992 and FY 1993 receipts into the General Fund. The funds and the FY 1991 ending balances were to be restored at the end of FY 1993. During the 1993 Legislative Session, however, legislation was approved making the transfer of the ending balances and deposit of receipts from the affected trust funds permanent.

Language in Section 8.60, Code of Iowa, requires the receipts deposited relative to the affected funds be used only for the purposes collected. For example, all receipts that would have been deposited in the Professional Licensing Revolving Fund were to be tracked separately and used or made available for appropriation to the board or commission which regulates the profession. Since 1991, fee revenue collected by the Professional Licensing Division of the Department of Commerce has exceeded appropriations to the Division by a total of \$2.9 million.

CURRENT SITUATION

Regulatory Structure

Professionals licensed in Iowa are regulated by one of 30 boards in the Departments of Agriculture, Commerce, Education, and Public Health.

The Department of Commerce has a Professional Licensing Division, which consists of 6 boards. The Board of Veterinary Medicine is housed in the Department of Agriculture and Land Stewardship. The Board of Educational Examiners is housed in the Department of Education, as is the Licensing Bureau, which performs the majority of the educational licensing functions.

The Boards of Dental Examiners, Nursing Examiners, Pharmacy Examiners, and Medical Examiners are located in the Department of Public Health and maintain policymaking and rulemaking authority. The Department of Public Health also houses a Professional Licensure Bureau, which consists of 18 boards. A number of the 18 boards are a combination of professions with separate rules and regulations.

Regulatory Functions

Regulation for each profession involves assuring that the public will be protected from unsafe practitioners and that applicants for licensure meet the minimum standards for practice. The daily activities of the regulatory boards vary, but in general, regulation throughout the 30 professional licensing boards involves:

- **Licensure:** Verifying education and work experience qualifications and conducting examinations.
- **Continuing education:** Approving continuing education programs and auditing continuing education records.
- **Public information requests:** Answering calls regarding licensing procedure and licensure status of individual professionals.

- **Complaint investigations:** Tracking and investigating complaints that may lead to hearings and possible disciplinary sanctions.

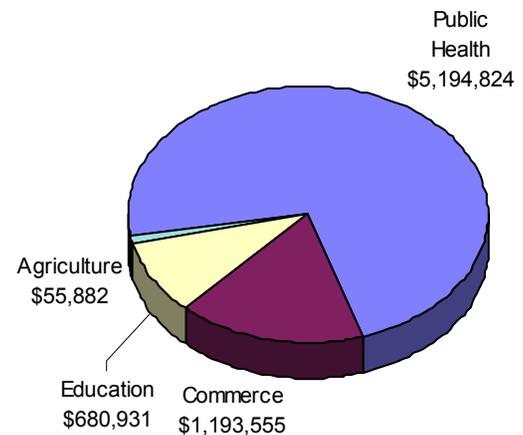
Professional Fees

A total of \$7.1 million was collected in professional licensing fees in FY 1999. **Chart 2** shows the average amount of FY 1998-1999 fee revenue by department (Agriculture includes FY 1997 due to a 3-year licensing period).

Attachment A provides a list of all fees paid by individuals regulated by the State. Fees are established based on the costs of sustaining the regulating board, the actual costs of licensing and investigating professional practices and violations, and associated indirect costs. All license and registration fees are implemented through the administrative rule-making process.

Fees are reviewed as needed by the boards, typically at least yearly. Fee revenues and expenses are considered, and adjustments are made based on anticipated expenses. In some instances, comparative information between Iowa and mid-western states and Iowa and the nation is used in establishing fee amounts. Within the Professional Licensure Bureau of the Department of Public Health, the potential earning power of the profession is also a factor in establishing fees. Fees may also be affected by what the professionals deem acceptable.

Chart 2
Average Professional Licensing Fees Collected FY 1998-99*



*Agriculture average includes FY 1997.

Appropriations Process

Each board is required by statute to generate licensing fees sufficient to finance the activities of the board. The fees collected are revenue to the General Fund. A portion of the fee revenues flow back to each regulatory board. An exception to this process is the fees collected by the Department of Agriculture and Land Stewardship for veterinarian examinations. These examination fees are held in a revolving fund to pay for printing and grading of examinations by a professional examination service. Over the past six years, the Veterinary Examination Fund has had an average balance forward of approximately \$19,000.

As part of the budget process, the regulatory boards submit budget requests via the agency where each is housed. If a board's budget request would place its funding at an amount greater than the fees generated by the profession, the board must raise fees to cover the requested increase. Since FY 1995, Health and Human Rights Subcommittee appropriations bills have contained language which requires the Professional Licensure Bureau to determine the budget by averaging the last two available years' fees collected and setting the budget at 85.0% of the total. No other licensing boards have language regarding a standard for the appropriation request.

The requests follow the standard budget decision making process, from Governor's recommendations through final passage of appropriations bill by the General Assembly. The appropriations fund the boards as follows:

- Within the Department of Commerce, an appropriation is directly made to the Professional Licensing Division. The appropriation is allocated to each Board, generally based on the number of exams that are estimated to be taken during the fiscal year for each profession.
- Portions of the Public Protection appropriation in the Department of Public Health are allocated to the Professional Licensure Bureau and the Boards of Dental, Medical, Nursing and Pharmacy Examiners.
- In the Department of Education, the function of the Board of Educational Examiners is funded through a direct appropriation. In addition, the Bureau of Licensure of the Department of Education provides licensing functions and is part of the General Administration appropriation to the Department. The Board of Educational Examiners spends approximately 41.0% of the overall expenditures for licensing and the Licensure Bureau spends the remaining 59.0%.
- A portion (approximately 7.5%) of the work of the Board of Veterinary Examiners is specifically funded through an allocation from the appropriation to the Regulatory Division of the Department of Agriculture. The majority of the expenses are funded indirectly by moneys allocated for Animal Health in the Regulatory Division.

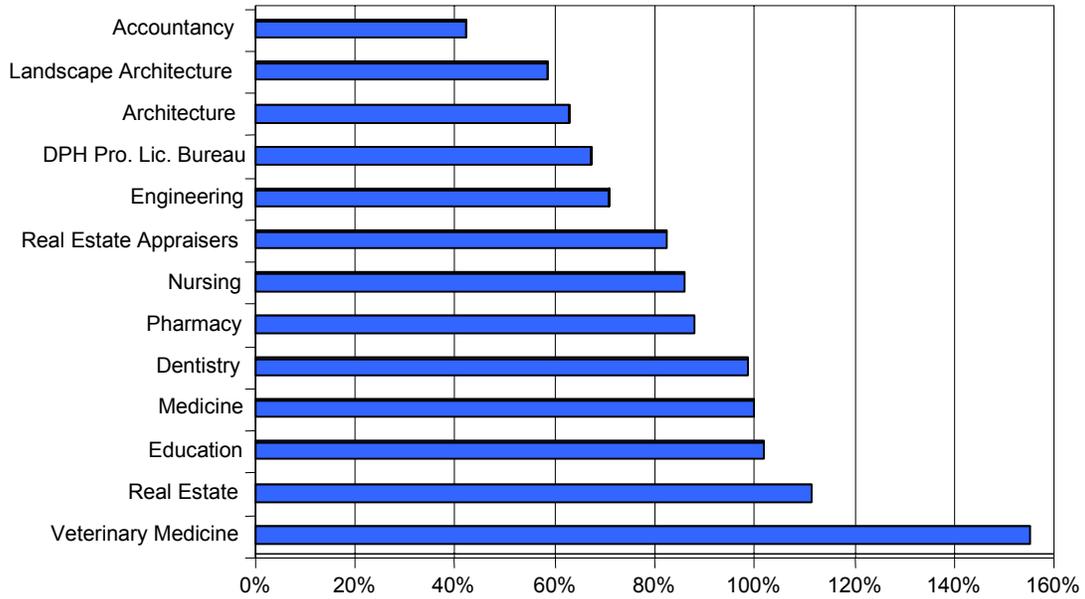
Fees vs. Appropriations

Attachment B contains detailed information comparing fees and appropriations from FY 1994-FY 1999. In instances where a direct appropriation is not made to a board, an appropriation is estimated based on identified expenses for the board.

During FY 1998 and FY 1999, the percentage of fees collected from a profession which were used for regulatory and licensing expenses for that profession ranged from a high of 155.1% returned to a low of 42.0%. **Chart 3** shows the range of percent of fees returned.

Chart 3

Percent of FY 1998 - FY 1999* Fees Returned as an Appropriation



* Real estate, nursing, and veterinary medicine averages also include FY 1997.
Education includes FY 1995-FY 1999.

There is a net benefit to the General Fund from professional licensing fees, as not all fees collected are directly used for related regulation. In FY 1998 - FY 1999, fees exceeded appropriations by a total of \$1.7 million.

ALTERNATIVES

1) Status quo. The General Fund benefits approximately \$900,000 each year to be used to support other activities of State government and to pay for indirect costs of regulatory entities. The largest source of this net benefit is the Department of Public Health Bureau of Professional Licensure, whose annual fee revenues exceed appropriations by approximately \$482,000. The General Fund benefit from the Accountancy Board is approximately \$188,000 per year.

2) Require professions to increase fees to cover expenses.

- Since FY 1994, the expenses of the Board of Veterinary Medicine have exceeded the fees generated by an average of \$35,000. Fees have not been increased since 1980.
- The Real Estate Commission increased its fees in 1991. From FY 1994 – FY 1996 fees covered the expenses of the Commission. However, since FY 1997, the expenses of the Real Estate Commission have exceeded the fees generated by an average of \$36,000.

3) Require fee reductions to equal appropriations/regulatory expenses for boards whose revenues currently exceed expenses by more than 20.0%. Since FY 1994, the following professions have had fees that exceeded expenses by a six-year average of:

- Landscape architects: \$12,000
- Real estate appraisers: \$27,000
- Accountants: \$188,000
- Architects: \$32,000
- Individuals licensed by boards in the Department of Public Health Professional Licensure Bureau: \$482,000
- Engineering: \$35,000

4) Equalize treatment of professions by leveling all examining board appropriations at a set percent of average fees collected, allowing a portion for indirect State and departmental costs. For example, if the level were set at 95.0%, this could be done by a combination of 1) fee reductions for those professions currently far from the 95.0% level, 2) increasing appropriations for boards currently close to the 95.0% level, 3) decreasing appropriations for boards currently exceeding the 95.0% level, and 4) fee increases for boards currently receiving significantly more than 95.0% of average fees as an appropriation.

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FY 1999 Professional Licenses by Department/Division

<u>Profession</u>	<u>Active Licensees</u>	<u>Cost of License</u>	<u>License Period</u>
Department of Commerce			
Division of Professional Licensing			
Landscape Architects	176	\$ 275	2 Years
Real Estate Appraisers	1,116		
Residential License		\$ 225	2 Years
Certified General Lic.		\$ 250	2 Years
Real Estate Commission	14,106		
Salesperson		\$ 75	3 Years
Broker		\$ 120	3 Years
Corporate License		\$ 120	3 Years
Trade Name		\$ 30	3 Years
Engineer and Land Surveyor	5,984		
Active		\$ 60	2 Years
Non-Active		\$ 30	2 Years
Architects	2,052		
Business License		\$ 20	2 Years
Accountants	9,518	\$ 170	2 Years
Board of Educational Examiners			
Provisional	7,108	\$ 50	2 Years
Educational	34,363	\$ 50	2 Years
Professional Teacher	38,204	\$ 50	5 Years
Professional Administrator	2,460	\$ 50	5 Years
Conditional	261	\$ 50	1, 2, or 3 years, depending upon qualifications
Substitute	9,238	\$ 50	5 Years
Coach	8,521	\$ 50	5 Years
Emergency	106	\$ 100	1 Year
Board of Dental Examiners			
Dentist	2,000	\$ 240	2 Years
Dental Hygienist	1,300	\$ 120	2 Years
Dental Assistant	2,500	\$ 60	2 Years
Board of Medical Examiners			
Initial Physician License	650	\$ 300	up to 2 years
Physician Renewal	10,428	\$ 200	2 Years
Resident Physician	586	\$ 25	1 Year
Acupuncturist	12	\$ 150	1 Year
Board of Pharmacy Examiners			
Pharmacists	4,719	\$ 100	2 Years
Pharmacy Technicians	3,341	\$ 30	2 Years
Pharmacy Interns	1,000	\$ 10	one-time
Controlled Substance Practitioner	10,365	\$ 50	2 Years
Board of Nursing Examiners			
Registered Nurse	38,547	\$ 75	3 Years
Licensed Practical Nurse	9,506	\$ 75	3 Years
Advanced Reg. Nurse Practitioner	1,053	\$ 63	3 Years

FY 1999 Professional Licenses by Department/Division

<u>Profession</u>	<u>Active Licensees</u>	<u>Cost of License</u>	<u>License Period</u>
Department of Public Health Professional Licensure Division			
Athletic Trainer	236	\$ 100	2 Years
Barber			
Barber	1,694	\$ 60	2 Years
Instructor	23	\$ 70	2 Years
Behavior Sciences			
Marriage and Family Therapist	166	\$ 100	2 Years
Mental Health Counselor	390	\$ 100	2 Years
Chiropractic	1,520	\$ 100	2 Years
Cosmetology			
Cosmetologist	15,758	\$ 25	2 Years
Electrologist	132	\$ 25	2 Years
Nail Technicians	752	\$ 25	2 Years
Instructor	251	\$ 30	2 Years
Estheticians	37	\$ 25	2 Years
Dietetic	976	\$ 100	2 Years
Hearing Aid Dealers	292	\$ 130	2 Years
Massage Therapy	1,295	\$ 100	2 Years
Mortuary Science			
Funeral Directors	907	\$ 100	2 Years
Nursing Home Administrators			
Nursing Home Administrator	907	\$ 90	2 Years
Provisional Administrator	20	\$ 120	6 month max.
Optometry	631	\$ 250	2 Years
Physical & Occupational Therapy			
Physical Therapists	1,641	\$ 55	2 Years
Physical Therapist Assistant	589	\$ 45	2 Years
Occupational Therapists	834	\$ 55	2 Years
Occupational Therapist Asst.	370	\$ 45	2 Years
Physician Assistant	226	\$ 100	2 Years
Podiatry			
Podiatrist	281	\$ 140	2 Years
Podiatric radiologist	84	\$ 10	2 Years
Psychology			
Psychologist	527	\$ 140	2 Years
Health Service Provider	300	\$ 140	2 Years
Respiratory Care			
Respiratory Care Provider	1,340	\$ 50	1 Year
Social Worker	5,316		
Bachelor level		\$ 60	2 Years
Master level		\$ 100	2 Years
Independent level social worker		\$ 120	2 Years
Speech Pathology & Audiology			
Speech Pathologist	789	\$ 80	2 Years
Audiologist	257	\$ 80	2 Years
Department of Agriculture and Landstewardship Board of Veterinary Medicine			
Veterinarian	2,400	\$ 45	3 years

Professional Licensing: Fees vs. Appropriations

	FY 1994 Fees	FY 1994 Approp	Percent of Fees Rcvd.	Net Gen. Fund Gain	FY 1995 Fees	FY 1995 Approp	Percent of Fees Rcvd.	Net Gen. Fund Gain	FY 1996 Fees	FY 1996 Approp	Percent of Fees Rcvd.	Net Gen. Fund Gain
Public Health	FY 1994				FY 1995				FY 1996			
Dental	\$ 398,730	\$ 259,980	65.2%	\$ 138,750	\$ 190,285	\$ 259,486	136.4%	\$ -69,201	\$ 419,495	\$ 287,065	68.4%	\$ 132,430
Medical	979,916	982,203	100.2%	-2,287	1,041,004	995,218	95.6%	45,786	1,020,267	1,007,089	98.7%	13,178
Pharmacy	1,084,102	873,653	80.6%	210,449	1,160,872	889,639	76.6%	271,233	1,125,391	939,709	83.5%	185,682
Nursing	743,309	646,787	87.0%	96,522	787,503	652,361	82.8%	135,142	768,680	672,976	87.5%	95,704
Total Pro. Lic. Division	1,224,910	694,368	56.7%	530,542	1,111,167	748,370	67.3%	376,247	1,257,727	766,481	60.9%	503,782
Total Public Health	\$ 4,430,967	\$ 3,456,991	78.0%	\$ 973,976	\$ 4,290,831	\$ 3,545,074	82.6%	\$ 759,207	\$ 4,591,560	\$ 3,673,320	80.0%	\$ 930,776
Commerce												
Accountancy	\$ 341,849	\$ 205,140	64.3%	\$ 136,709	\$ 448,318	\$ 223,937	59.3%	\$ 224,381	\$ 318,319	\$ 142,103	54.7%	\$ 176,216
Architects	91,880	70,884	94.6%	20,996	121,171	79,133	70.9%	42,038	101,742	79,863	80.4%	21,879
Engineers	224,292	156,053	92.7%	68,239	228,942	171,370	84.6%	57,572	223,222	149,117	87.6%	74,105
Landscape Architects	26,745	17,668	70.2%	9,077	30,655	20,613	66.8%	10,042	26,298	20,311	72.3%	5,987
Real Estate	362,407	228,462	76.6%	133,945	342,637	244,409	84.3%	98,228	309,321	322,785	124.5%	-13,464
Real Estate Appraisers	130,625	84,353	47.8%	46,272	117,606	111,049	88.4%	6,557	102,498	78,135	76.1%	24,363
	\$ 1,177,798	\$ 762,560	64.7%	\$ 415,238	\$ 1,289,329	\$ 850,511	66.0%	\$ 438,818	\$ 1,081,400	\$ 792,314	73.3%	\$ 289,086
Agriculture												
Veterinarian Examiners	\$ 55,520	\$ 92,496	166.6%	\$ -36,976	\$ 8,305	\$ 90,920	1094.8%	\$ -82,615	\$ 91,165	\$ 90,185	98.9%	\$ 980
Education												
Educational Examiners	\$ 419,323	\$ 172,178			\$ 522,887	\$ 192,780			\$ 553,655	\$ 193,225		
Bureau of Licensing	Not App.	319,920			Not App.	364,431			Not App.	370,124		
FY 1999 Fees Retained	Not App.	Not App.			Not App.	Not App.			Not App.	Not App.		
Total Education	\$ 419,323	\$ 492,098	117.4%	\$ -72,775	\$ 522,887	\$ 557,211	106.6%	\$ -34,324	\$ 553,655	\$ 563,349	101.8%	\$ -9,694
Total	\$ 6,083,608	\$ 4,804,145	79.0%	\$ 1,279,463	\$ 6,111,352	\$ 5,043,716	82.5%	\$ 1,081,086	\$ 6,317,780	\$ 5,119,168	81.0%	\$ 1,211,148

NOTE: Because of varying license periods, comparisons between fees and appropriations must be made by averaging consecutive fiscal years. Attachment A provides information on the length of the licensing periods.

Professional Licensing: Fees vs. Appropriations

	FY 1997 Fees	FY 1997 Approp	Percent of Fees Rcvd.	Net Gen. Fund Gain	FY 1998 Fees	FY 1998 Approp	Percent of Fees Rcvd.	Net Gen. Fund Gain	FY 1999 Fees	FY 1999 Approp	Percent of Fees Rcvd.	Net Gen. Fund Gain
Public Health	FY 1997				FY 1998				FY 1999			
Dental	\$ 188,638	\$ 315,500	167.3%	\$ -126,862	\$ 365,777	\$ 307,360	84.0%	\$ 58,417	\$ 247,300	\$ 297,504	120.3%	\$ -50,204
Medical	1,154,867	1,066,757	92.4%	88,110	1,251,225	1,218,790	97.4%	32,435	1,218,364	1,248,603	102.5%	-30,239
Pharmacy	1,204,709	1,006,116	83.5%	198,593	1,226,139	1,045,417	85.3%	180,722	1,176,200	1,069,817	91.0%	106,383
Nursing	797,585	694,938	87.1%	102,647	908,422	757,740	83.4%	150,682	826,415	761,948	92.2%	64,467
Total Pro. Lic. Division	1,338,938	892,563		438,566	1,600,097	1,009,896	63.1%	590,201	1,569,710	1,119,627	71.3%	450,083
Total Public Health	<u>\$ 4,684,737</u>	<u>\$ 3,975,874</u>	84.9%	<u>\$ 701,054</u>	<u>\$ 5,351,660</u>	<u>\$ 4,339,203</u>	81.1%	<u>\$ 1,012,457</u>	<u>\$ 5,037,989</u>	<u>\$ 4,497,499</u>	89.3%	<u>\$ 540,490</u>
Commerce												
Accountancy	\$ 408,997	\$ 160,718	39.3%	\$ 248,279	\$ 399,772	\$ 162,637	40.7%	\$ 237,135	\$ 358,535	\$ 157,413	43.9%	\$ 201,122
Architects	118,600	72,866	61.4%	45,734	95,228	79,379	83.4%	15,849	139,135	68,476	49.2%	70,659
Engineers	214,199	183,104	85.5%	31,095	233,408	178,329	76.4%	55,079	231,609	151,811	65.5%	79,798
Landscape Architects	41,915	27,444	65.5%	14,471	38,546	23,395	60.7%	15,151	37,701	21,381	56.7%	16,320
Real Estate	335,497	376,318	112.2%	-40,821	337,046	373,748	110.9%	-36,702	305,666	337,555	110.4%	-31,889
Real Estate Appraisers	107,156	85,716	80.0%	21,440	98,170	91,640	93.3%	6,530	112,294	82,053	73.1%	30,241
	<u>\$ 1,226,364</u>	<u>\$ 906,166</u>	73.9%	<u>\$ 320,198</u>	<u>\$ 1,202,170</u>	<u>\$ 909,128</u>	75.6%	<u>\$ 293,042</u>	<u>\$ 1,184,940</u>	<u>\$ 818,689</u>	69.1%	<u>\$ 366,251</u>
Agriculture												
Veterinarian Examiners	\$ 47,230	\$ 88,458	187.3%	\$ -41,228	\$ 9,690	\$ 89,845	927.2%	\$ -80,155	\$ 107,865	\$ 77,266	71.6%	\$ 30,599
Education												
Educational Examiners	\$ 555,783	\$ 196,980			\$ 555,783	\$ 201,973			\$ 806,078	\$ 208,229		
Bureau of Licensing	Not App.	321,159			Not App.	383,505			Not App.	402,982		
FY 1999 Fees Retained	Not App.	Not App.			Not App.	Not App.			Not App.	303,000 *		
Total Education	<u>\$ 555,783</u>	<u>\$ 518,139</u>	93.2%	\$ 37,644	<u>\$ 555,783</u>	<u>\$ 585,478</u>	105.3%	\$ -29,695	<u>\$ 806,078</u>	<u>\$ 914,211</u>	113.4%	\$ -108,133
Total	\$ 6,514,114	\$ 5,488,637	84.3%	\$ 1,017,668	\$ 7,119,303	\$ 5,923,654	83.2%	\$ 1,195,649	\$ 7,136,872	\$ 6,307,665	88.4%	\$ 829,207

* In addition to the amount appropriated for FY 1999, the Board of Educational Examiners was permitted to retain up to 85.0% of increased revenues as a result of license fee increases.